



European Communities

EUROPEAN PARLIAMENT

WORKING DOCUMENTS

English Edition

1985-86

18 October 1985

SERIES A

DOCUMENT A 2-115/85/ADD.

ADDENDUM TO THE REPORT

drawn up on behalf of the Committee on External Economic
Relations

on international trade in counterfeit goods

Rapporteur: Mrs Y. van ROOY

PE 96.288/fin./add.

OPINION

(Rules 102 and 47 of the Rules of Procedure)

of the Committee on Economic and Monetary Affairs and Industrial Policy

Draftsman: Mr Jean BESSE

On 13 November 1984, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Besse draftsman of an opinion on the motion for a resolution (Rule 47) on international trade in counterfeit goods (Doc. 2-889/84).

On 7 February 1985, the Committee on Economic and Monetary Affairs and Industrial Policy appointed Mr Besse draftsman of an opinion on the proposal for a Council Regulation laying down measures to discourage the release for free circulation of counterfeit goods (Doc. 2-1540/84).

At its meeting of 26 March 1985 the Committee on Economic and Monetary Affairs and Industrial Policy considered the draft report and adopted its conclusions unanimously.

The following took part in the vote:

Mr SEAL, chairman;
Mr BESSE, rapporteur;

Mr BEUMER, Mr BONACCINI, Mrs BRAUN-MOSER (deputizing for Mr ABELIN), Mr CASSIDY, Mr CHRISTODOULOU (deputizing for Mr BISMARCK), Mr CRYER (deputizing for Mr GREDAL), Mr DE VRIES, Mr DUCARME (deputizing for Mr DE GUCHT), Mr FALCONER, Mr FILINIS, Mr GAUTIER, Mr HERMAN, Mr MATTINA, Mr METTEN, Mr MIHR, Mr MÜHLEN (deputizing for Mr ERCINI), Mr PAPOUTSIS (deputizing for Mr WAGNER), Mr PATTERSON, Mr REMACLE (deputizing for Mrs Van HEMELDONCK), Mr ROGALLA; Mrs VAN ROOY (deputizing for Mr FRANZ), Mr STARITA, Mr VISSER (deputizing for Ms QUIN) and Mr von WOGAU.



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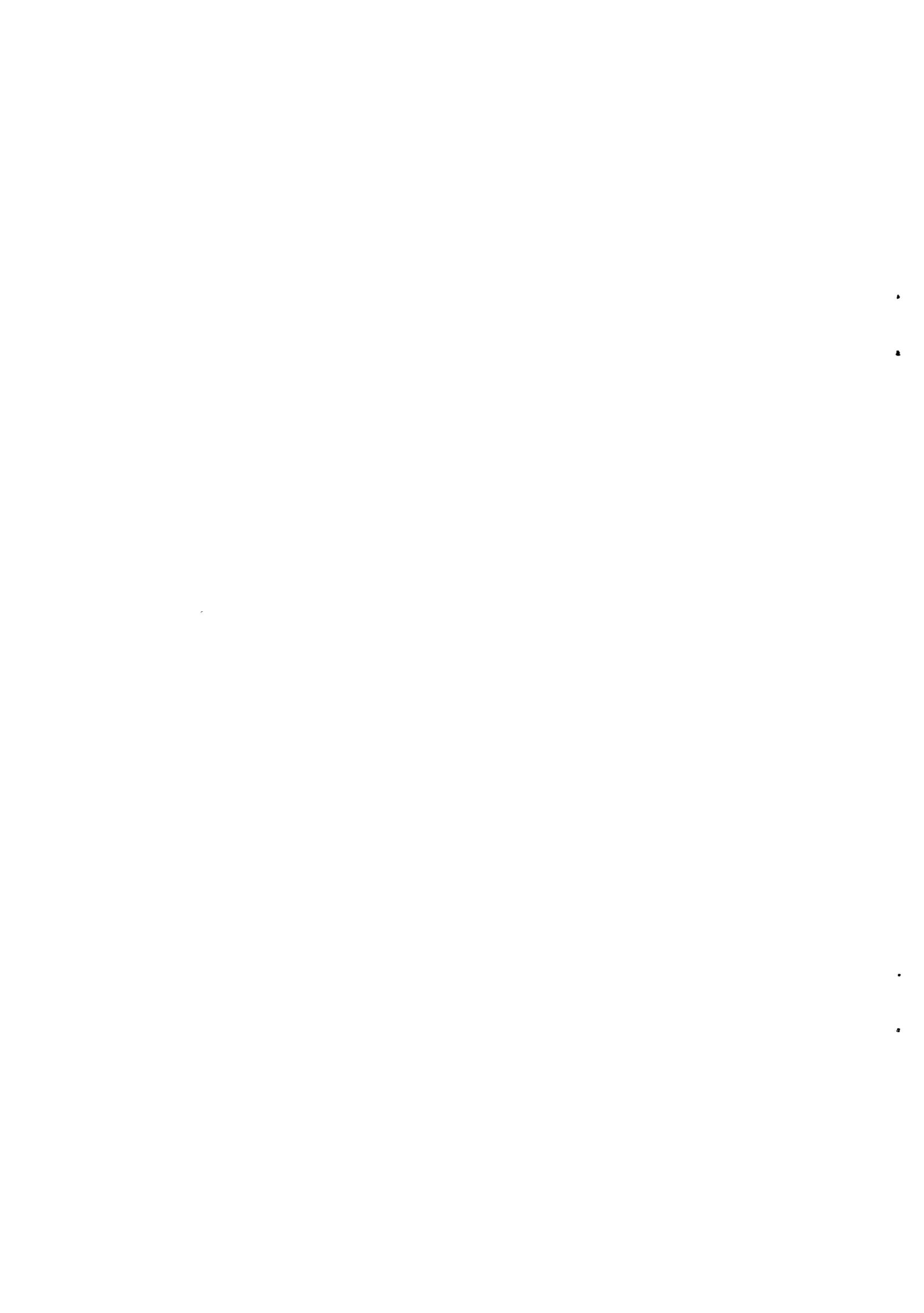
SERIES A

DOCUMENT A 2-122/85

OWN-INITIATIVE REPORT

drawn up on behalf of
the Committee on Agriculture, Fisheries and Food
on trends in agricultural incomes in the Community

Rapporteur: Mr T.J. MAHER



By letter of 28 September 1984, the Committee on Agriculture, Fisheries and Food requested authorization to draw up a report on trends in agricultural incomes in the Community.

On 12 December 1984, the Bureau authorized the committee to report on this subject.

On 23 January 1985, the Committee on Agriculture, Fisheries and Food appointed Mr MAHER rapporteur.

On 15 February 1985, the European Parliament referred the motion for a resolution tabled by Mr RAFTERY pursuant to Rule 47 on measures to maintain farmers' income (Doc. 2-1579/84) to the Committee on Agriculture, Fisheries and Food as the committee responsible and to the Committee on Budgets and the Committee on Social Affairs and Employment for opinions.

At its meeting of 20 March 1985, the committee responsible decided to include this motion for a resolution in the report in question.

The committee considered the draft report at its meetings of 25 May 1985, 27 September 1985 and 14 October 1985. At the last meeting, it adopted the motion for a resolution unanimously.

The following took part in the vote: Mr TOLMAN, chairman; Mr EYRAUD and Mr GRAEFE ZU BARINGDORF, vice-chairmen; Mr MAHER, rapporteur; Mr ABENS (deputizing for Mrs CASTLE), Mr ADAMOU, Mr BATTERSBY, Mr BORGIO, Mr CHIABRANDO (deputizing for Mr BOCKLET), Mr CLINTON, Mr DALSSASS, Mr DEBATISSE, Mr EBEL (deputizing for Mr FRUH), The Hon. James ELLES (deputizing for Sir Henry PLUMB), Mrs EWING (deputizing for Mr MUSSO), Mr GATTI, Mr GAUTIER (deputizing for Mr WETTIG), Mr GUERMEUR (deputizing for Mr MAC SHARRY), Mrs JEPSEN, Mr KLINKENBORG (deputizing for Mr SUTRA DE GERMA), Mr LIGIOS (deputizing for Mr F. PISONI), Mr MAFFRE-BAUGE, Mr MARCK, Mr MERTENS, Mr NIELSEN, Mr PASTY (deputizing for Mr FANTON), Mr N. PISONI, Mr PRANCHERE, Mr ROELANTS DU VIVIER (deputizing for Mr CHRISTENSEN), Mr ROMEOS, Mr ROSSI, Mrs ROTHE, Mr SIMMONDS, Mr STAVROU, Mr THAREAU, Mr VERNIMMEN and Mr WOLTJER.

The report was tabled on 15 October 1985.

The deadline for tabling amendments to this report will be indicated in the draft agenda for the part-session at which it will be debated.

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The Committee on Agriculture, Fisheries and Food hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

A
MOTION FOR A RESOLUTION

on trends in agricultural incomes in the Community

The European Parliament,

- having regard to the motion for a resolution tabled by Mr RAFTERY on measures to maintain farmers' income (Doc. 2-1579/84),
 - having regard to its resolution of 9 June 1983 on the level of agricultural incomes¹,
 - having regard to the report of the Committee on Agriculture, Fisheries and Food (Doc. A 2-122/85),
- A. whereas over the last ten years, increases in real incomes in agriculture have clearly lagged behind increases in real incomes in the general economy,
- B. whereas, the decisions taken by the Council and Commission with a view to rationalizing the CAP have been unable to ensure higher individual earnings for all persons engaged in agriculture contrary to Article 39 of the EEC Treaty,
- C. whereas overall agricultural income is unequally distributed in terms of region, type of farming and size of holding and whereas there is no statistical evidence that this situation will improve,
1. Notes with satisfaction the Commission's efforts to obtain and publish more information and statistics on agricultural incomes;
 2. Notes that the Farm Accountancy Data Network (FADN) is being utilized to calculate changes in incomes and urges the Member States to take the requisite initiatives to increase the number of holdings covered by the FADN, thus permitting this network to provide a more representative statistical breakdown by region, economic-size class and type of farming;
 3. Calls on the Commission, however, to take the necessary steps to calculate agricultural incomes in absolute terms and to publish the findings as speedily as possible;
 4. Is concerned that despite an average increase in 1984, which, however, was solely the result of exceptional weather conditions, the aggregate net added value per agricultural employee has fallen by more than 30 per cent in the last ten years;
 5. Notes further that agricultural incomes in most Member States have fallen in both relative and absolute terms in recent years;

¹ OJ No. C 184, 11.7.1983, p. 6

6. Reiterates that family farming must remain the basis of European agriculture and that this should be taken into account in agricultural policy-making;
7. Takes the view that all self-employed farmers or wage-earners principally employed in agriculture are entitled to reasonable remuneration for their labour;
8. Calls on the Commission and the Member States to conduct further studies into the situation relating to part-time farmers and to examine whether the application of common measures to both full- and part-time farmers unduly favours the latter;
9. Takes the view that a distinction should be made between those small farmers who take on another job to supplement a low farm income and those for whom agriculture is a secondary occupation;
10. Takes the view that, in order to narrow the gap between agricultural incomes in the Member States, the Community must take specific measures in the fields of agricultural policy, general social and economic policy, and fiscal policy and that these measures should be tied in closely with regional development policy;
11. Emphasizes that the price mechanism alone cannot solve the problems of those farmers in disadvantaged areas or those who find themselves in financial difficulties;
12. Calls on the Commission and the Council to complement price-support schemes by Community measures relating to production costs, such as interest subsidies for agricultural loans, long-term loan facilities, and tax concessions in respect of capital equipment purchases etc.;
13. Believes that every possible effort should be made to ensure equitable treatment of all farmers regardless of their region or country;
14. Notes further that incomes in respect of certain types of production are consistently higher than for others and that this should be taken into account in the adjustment of price relationships between them;
15. Takes the view that, where measures to restrict production are necessary, certain categories of farmer operating small farms or farming in disadvantaged areas must be either exempted from such arrangements or compensated for loss of production;
16. Believes that, where production is restricted by means of quotas, co-responsibility levies should not be applied; believes further that the application of Community and national support measures in disadvantaged areas should be as flexible as possible in order to allow farmers to benefit fully from all aids available;
17. Has noted with interest a study conducted for the Commission of national public expenditure in the agricultural sector and notes that there are wide disparities between the Member States as regards both support measures and fiscal legislation;

18. Considers that the failure to coordinate economic and monetary policies makes it more difficult to apply the CAP and increases the likelihood of Member States having recourse to national measures, and accordingly calls for economic and monetary policy to be better coordinated in order to reduce the disparities between the Member States as regards the treatment of farmers;
19. Is aware that not more than 60% of Community agricultural funds actually reach farmers and that approximately 40% are absorbed by associated professions and industries;
20. Takes the view that the principle of direct income support as a means, in certain cases, of supplementing individual earnings should be retained but that such support should be restricted to specific categories of farmers and should be geared towards improving agricultural structures, limiting production or safeguarding the countryside;
21. Calls on the Commission to investigate additional means for the restoration and maintenance of farmers' incomes;
22. Urges the Commission to increase aids to encourage farmers to diversify into products which are in deficit;
23. Re-emphasizes the importance of a properly adapted structural policy in agriculture in order to reduce disparities in incomes and help improve the organizational structure and productivity of farms;
24. Stresses the importance of the introduction and financing of the Integrated Mediterranean Programmes and other structural programmes for farmers in the less-favoured regions of the Community;
25. Asks the Commission to consider ways of ensuring that any measures designed to bring demand for, and supply of, agricultural products more closely into line are as flexible as possible to avoid the cumulative effect on incomes of a drop in prices and a loss of production;
26. Takes the view that the role of agricultural cooperatives must be expanded in order to reduce production costs, include promotion of greater on-farm cooperation regarding the use of equipment and facilities, and facilitate marketing;
27. Considers that biotechnological developments permitting improvements in yields and, hence, in incomes must be encouraged, particularly in less-favoured regions; takes the view, further, that such developments increase efficiency and open up new markets for agricultural products;
28. Considers that the Commission should investigate urgently the possibility of providing, for farmers who choose to diversify into forestry, an ongoing annual income until such time as an adequate return can be obtained by the farmer on his investment;

29. Believes that there must be further study of the potential of new technologies to reduce production costs and increase profitability in the agricultural sector; considers, therefore, that the funds must be made available to establish advice centres to remedy farmers' lack of information and problems in acquiring new technology;
30. Considers too that the application of technological innovations to agriculture could help bring agricultural workers' terms of employment into line with those of other workers, while helping to eliminate higher labour costs due to longer working hours, and could therefore be a stabilizing influence on the rate of employment and encourage the younger generation to stay on the farm;
31. Recognizes, however, that the quality of agricultural produce has a considerable impact on farm incomes;
32. Is convinced that only when there is full monetary union and a single Community currency will it be possible to operate a true Common Agricultural Policy;
33. Instructs its President to forward this resolution and the report of its committee to the Council, the Commission and the governments of the Member States.

B
EXPLANATORY STATEMENT

I. BACKGROUND TO THE REPORT

1. When in March 1982, the Commission published the findings of a study of inflation rate disparities and the Common Agricultural Policy¹, the Committee on Agriculture, Fisheries and Food took the opportunity to draw up an interim report on agricultural-income levels, which focused on the issues connected with the problems of inflation, e.g. the existence of the 'green rates', the European Monetary System and the ECU, and Monetary Compensatory Amounts. An attempt was also made to gain a clearer picture of the methodological problems involved, such as the confusion surrounding the terminology used and the difficulties of collecting and interpreting uniform and comparable statistics.
2. Parliament's resolution of 9 June 1983 (see Annex I) stressed inter alia that a number of general and specific measures should be taken to improve incomes. The present report attempts to examine factors other than inflation which influence agricultural incomes, to draw conclusions on the basis of this and to make specific proposals. It must be pointed out that, in the last two years, the Commission has published a number of documents on income-related problems, some of which provide an answer to issues raised in the interim report.
3. One of the points raised by Parliament with regard to income statistics of the type published by the Commission up until two years ago concerned the insufficient use made of an existing Community facility: the Farm Accountancy Data Network (FADN). Recent publications³ base their micro-economic analysis of farm results on the data available from this network and include comparative statistics on income disparities by Member State and type of farming. However, the FADN should be further improved: the number of farms sampled - currently 36 000, which are considered a representative cross-section of the Community's approximately 3.6 million farms - should be increased, enabling more precise data to be obtained and, according to the Commission³ (p. 48), possibly leading to correction of the absolute figures for farm results.
4. In preparing this report, the rapporteur consulted the Member States' Ministers of Agriculture and a number of leading professional associations on farm income problems. From the answers received, it is apparent that the Member States are responsible for calculating macro-economic data on incomes which are then adopted by the Commission.

The Belgian Farmers' Association points out, however, that differences in the methodology used by the Member States in calculating the value of arable-farming sectors may lead to major disparities in results between the Member States: while, for example, certain countries (including the Netherlands) take the calendar year as the basis for such calculations, others (including Belgium and Denmark) refer to the marketing year. The figures quoted in many national government reports do not tally with the Commission's figures because the income indicators used differ and the farms examined are not identical.

Nevertheless, most Member States' figures on income trends tally with the index of net value added at factor cost per work unit, in real terms, as calculated by the Commission³ (p. 41). The recently introduced indicator 'net income from farming of the farmer and his family'³ (p. 42), which refers to the income derived by the farmer from agriculture after deduction of payments for wages, rent and interest on borrowings, has not yet found acceptance because of problems concerning the data and methodology used, as is apparent from the answer given by the German Federal Ministry of Agriculture.

Although the Commission evidently has at its disposal the results of calculations concerning the absolute level of agricultural incomes, they have not yet been published. Calculations of the absolute level of net value added per work unit have clearly been made. These data are of major importance with a view to a greater insight into the problem of incomes, as are comparative data on income trends in agriculture and in other sectors of the economy. However, several Ministers of Agriculture have reported that such data are not available at national level either.

II. INTRODUCTION

5. Article 39(1)(b) of the EEC Treaty stipulates that one of the objectives of the CAP shall be '... to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture ...'. Such increases in individual earnings cannot be achieved by continuing with the policy in its present form.

There are three categories of factor which determine agricultural incomes: farming-related factors, which, accordingly, can be influenced by the CAP; non-farming-related factors unaffected by the CAP but capable of being influenced by policy-making in other areas; and factors which cannot be influenced at all. The first category includes factors such as type of farming, size of holding, management, skills, producers' organizations, and plant and animal diseases etc. The second category covers inter alia general socio-economic policy, fiscal policy, national expenditure on agriculture, transport policy and development cooperation. Climate, location and natural disasters etc. can be considered factors which cannot be influenced.

These factors may be mutually reinforcing or counteractive; they may be permanent or temporary; they may exert a conditioning or catalyzing effect. A number of these factors will be considered in the following, and their influence on incomes will be studied. Specific proposals will be set out for those areas in which agricultural-policy measures can help to lessen their adverse effects.

6. Since Parliament's debate on the interim report in June 1983, the situation has changed insofar as inflation has fallen - from 9% in 1982 to 4.7% in 1984 - and there is every hope that inflation in the Member States will fall still further. When fixing prices for the 1984/85 marketing year, the Council decided on the complete abolition of MCAs by the 1987/88 marketing year, which is a major step towards restoring uniform prices on the agricultural market.

III. ANALYSIS OF A NUMBER OF FACTORS INFLUENCING AGRICULTURAL INCOMES

7. Production costs

The Commission has published the results, based on FADN data, for the main types of farm, and broken down by economic size of farms, in respect of all Member States⁴ (Tables 13.1 and 13.2). These tables illustrate the importance of production costs, as a determinant of income, broken down by economic size (expressed in European size units) and type of farming. Without going into too much detail, it is clear that supplies and services account for roughly 50% of the ECU value of total turnover. For the accounting year 1982/83, this figure varies from Member State to Member State: from 33% in Greece to 61% in the Federal Republic of Germany. Within individual Member States, there is little difference between the figure for different economic-size categories. In general, the figure exceeds 50% in the northern Member States.

Even when the same calculations are made according to main types of farm, supplies and services still represent approximately 50% of total output, with a minimum of 28% for vineyards, 47% for cereals and 54% for dairy farming. Close analysis of intermediate consumption⁵ (Annex II) indicates considerable differences in the values for 1984/1983: for example, for seeds and seedlings the figures are +15% in Belgium, +4.5% in the Federal Republic of Germany and -5.4% in the United Kingdom; animal feeds vary between -5.3% and +5.5%, fertilizers from -1% to +22.8%, and energy from +1.5% to +12%. Obviously, these factors exert a relatively greater influence on the income of small-scale farmers than of large-scale farmers.

Continuing analysis of farm results at the micro-economic level is of major importance for obtaining more accurate cost-benefit analyses. Indeed, the Commission itself asks whether some farmers have not gone beyond what is economically appropriate in their compulsion to invest and consume an ever-increasing volume of purchased goods and services⁶ (p. 13).

Furthermore, the Commission points out that it would be useful to conduct a study of those costs which show the greatest variation and of the income levels of farmers operating at the highest and lowest cost, i.e. to find the cost combination that offers the best prospect of financial success. In 1981, 4% of farmers earned a 'negative' income; and this too indicates that, in relation to their total output, they consumed too many goods and services and/or were borrowing excessively.

8. Pricing policy

Because of the price inelasticity of supply and demand, slight changes cause major fluctuations in prices. Despite the fact that market organizations have been established for virtually all products, there is short-term price instability, particularly in the breeding sector (pigs, eggs, broiler chickens) and in horticulture. Since pricing policy rewards farmers on the basis on their output - those who sell the most receive the most - producers are faced with the problem of income stability.

Chart 3 in the publication '1984: agricultural incomes in the European Community'³ - see Annex II to this report - shows the trends in real agricultural income per unit of labour for the major types of farm in the period 1978/79 to 1984/85. From this it is apparent that, despite annual

fluctuations, certain sectors yield consistently higher incomes than others. Pricing policy is certainly a major factor in this, although there are others such as a lesser degree of dependence on good weather conditions and the situation on internal and external markets.

The fact that incomes in certain types of farming are consistently lower than the average for all types of holding could indicate a need to adjust relative price levels between the different types of production. However, it is apparent that here too the geographical dispersion of farming activities may play a role.

9. Guarantee thresholds and quota arrangements

Guarantee thresholds, with a degressive guarantee price for production volumes above these levels, directly influence producers' earnings because of the relationship between output and income. Because of this direct link between production volume and income, small-scale farmers are more adversely affected than large-scale producers.

Measures to restrict production are particularly disadvantageous for farmers in regions with no other production options. It is imperative that all decisions to link guarantee prices to production volumes be preceded by a close examination of the effects of such measures on the earnings of small-scale producers or producers in less-favoured areas or mountain regions.

If necessary, these farmers will have to be exempted from the relevant schemes, provided they satisfy a number of conditions including a ban on increased production. If such conditions are not fulfilled, there is a risk that technical and other resources could be used to transfer production to disadvantaged areas.

10. National public expenditure

A detailed investigation of national public expenditure in the agricultural sector has been conducted on behalf of the Commission's Directorate-General for Agriculture¹⁰; its very comprehensive findings demonstrate that the Member States support the agricultural sector in various ways and to varying degrees, but it does not put forward any views as to the actual effects of such measures on incomes.

Support may take the form of financing for structural-improvement measures, for veterinary inspections, for income premiums in disadvantaged regions, for training courses at various levels and for infrastructures, etc. At the same time, fiscal regulations differ greatly: for example, the average rate of income tax levied varies between 0.9% in Ireland and 11.8% in Denmark¹⁰ (p. 113). As a proportion of agricultural income, direct national support in 1980 varied from 2.1% in the Netherlands to 17.4% in Luxembourg. Agricultural income is expressed as gross value added to market prices¹⁰ (p. 157).

Some of these measures directly influence incomes and others have long-term implications, while some exert a positive influence on individual earnings and/or overall agricultural income¹⁰ (pp. 144-150). However, it is important to note that this creates an unequal situation on a market that is supposed to be a common market for the Community. To prevent national support measures from affecting, to an even greater degree, attempts to attain a living wage, the Community should realize that there is a need for a forceful common policy designed to ensure a reasonable level of individual earnings in agriculture.

IV. POSSIBLE INCOME-RELATED MEASURES

11. Improved basic statistics

Effective policy depends on relevant information. Consequently, effective market management requires information on current and future trends in production, consumption and trade etc., and, as regards producers' income, data on past trends in individual earnings for all regions, for all types of farming and for all categories of holding. The annual income-related statistics drawn up by the Commission in cooperation with the Member States give a general survey of such trends and are politically significant; however, they provide too little information on the micro-economic situation of holdings.

The Farm Accountancy Data Network (FADN) was set up in the sixties in order to collect such data. Its continual expansion has enhanced both the system's statistical significance and the reliability of the results. The FADN collects information on 62% of all holdings, covering 83% of agricultural land⁸ (p. 2). This means that 38% of holdings - mainly small farms accounting for 17% of the land - are not sampled. More financial and logistical support should be provided to expand the system in order to make it more representative.

12. Direct income support

One obvious way of improving earnings is to grant direct income subsidies. Even effective structural measures can only produce the desired results in the long term - and then only if implemented in parallel with a policy that is geared towards safeguarding a guaranteed income for farmers. The best solution would be for current market and prices policy to be complemented or partially replaced by a non-production-related system of income support; many farmers would then no longer be obliged to maximize production. For the time being, this arrangement could be restricted, for example to particular regions and farmer age-groups, and the beneficiaries would have to respect certain conditions, such as a ban on further production increases or an undertaking to gear production more closely to supply and demand within the Community² (p. 123).

The Commission Green Paper presents four basic types of income support schemes⁹ (pp. 55-62): a pre-pension for farmers aged 55 years and older; temporary, degressive aid as part of measures to improve agricultural structures; income aid via a social approach; and a buy-out scheme. The Committee on Agriculture, Fisheries and Food takes the view that a combination of these approaches could relieve the worst of the pressure, although the impression remains that the problem of those who will probably never succeed in achieving satisfactory earnings from farming (because of natural conditions) will not be resolved in this manner.

The debate on direct income aid, which the Commission's Green Paper would appear to have reopened, must be viewed in the overall context of adjustments to the CAP. At this stage, Parliament can only point to the need for it if producers are to be guaranteed a reasonable income, and will give its opinion on the form which it is to take as soon as the Commission submits specific proposals.

13. Agricultural cooperatives and farming organizations

Parliament has repeatedly stressed the role of agricultural cooperatives in realizing the objectives of the CAP. As regards raw-material supplies and plant hire, further efforts can probably be made with a view to reducing farmers' production costs and the volume of investment required. Areas with inadequately developed processing and marketing structures should receive the financial aid required to bring about improvements. The Guidance Section of the EAGGF should play a major role in this connection, but the Social, Regional and Development Funds can also be brought into play.

The importance of reliable information cannot be over-emphasized. Because of rapid technological development, but also in view of new demands as regards environmental management and rural conservation, farming is becoming more and more intricate. Both cooperatives and other agricultural organizations have every interest in recognizing that such developments are taking place and should be taken into account in their relations with their members. Producers' associations should remain closely linked to the farming community in order to safeguard the continued existence of family holdings and the viability of rural areas. The individual countries must provide better general and statutory framework conditions, for such organizations to develop their potential even more effectively, in order to improve farmers' incomes by lowering the level of inputs and ensuring efficient production processing and marketing.

14. Technological progress

The introduction of new technologies into farming was spoken about at a colloquy organized by the European Training and Promotion Centre for Farming and Rural Life (CEPFAR) from 13 to 15 May 1985. New horizons are undoubtedly being opened up for farmers as a result of the specific application of biotechnology, microelectronics and information technology⁷. If biotechnological techniques can be utilized on holdings in less-favoured areas, the resulting spectacular increases in yields could boost farmers' incomes there. Not only can the introduction of microelectronics improve working conditions and make for greater convenience, it can also help to reduce costs. The fact that many holdings are too small to introduce such techniques profitably may perhaps point to a new role for cooperatives.

More and more agriculture-orientated information processing systems are being marketed. More and more farm-level and centralized applications will become available, and interested farmers will be able to profit from them, provided they receive proper training and support. This report cannot provide a full assessment of such developments. However, the rapporteur takes the view that we should not disregard them and thereby run the risk of neglecting an opportunity to improve earnings in the agricultural sector.

15. Pricing policy

Pricing policy will always remain the cornerstone of policy on earnings. Special measures can be provided for in order to raise income levels under certain circumstances; but, for the family-based holding under normal circumstances, income will continue to be calculated on the basis of production multiplied by prices received.

A dynamic agricultural policy, affording farmers sufficient opportunity to finance essential investment independently, requires a sufficiently high, general price level for farm products. On the other hand, the combined effect of the level of agricultural production attained and stagnating consumption compels the Community to gear itself more and more to the world market, where prices are lower because of, inter alia, its major competitors' policy of subsidizing farmers.

Consequently, an approach must be sought which would enable farmers' earnings to attain reasonable levels and at the same time permit products to be sold on the Community's internal and external markets.

16. Harmonization of national support measures and fiscal legislation

As indicated above, there are variations in both the nature and volume of the Member States' support for their agricultural sectors, with wide disparities in the burden of both direct and indirect taxation. If, however, there is to be comparability of the end result, i.e. individual earnings, then a policy based on common prices presupposes comparability of all the factors which influence this end result. To achieve this, there must be greater convergence of the Member States' economic policies, with a view to a reduction in inflation, the removal of structural disparities and the expansion of the European Monetary System. This would also bring production costs in the Member States more into line and make the CAP somewhat more 'common' again.

V. CONCLUSION

17. Despite a number of undeniable achievements, such as market stabilization, regular food supplies, and reasonable prices for the consumer, the Common Agricultural Policy has not entirely realized the objective of increasing the individual earnings of those engaged in agriculture and of ensuring a reasonable standard of living for the farming community.

Agricultural incomes not only lag behind earnings in other sectors, but there are also wide disparities in incomes between farmers. The causes of this are to be found both inside and outside agriculture. Consequently, while solutions must be sought in CAP measures, definite progress must also be made on achieving economic convergence between the Member States in order to harmonize all those factors which influence, to varying extents, inputs and the burden of taxation. The Community must bear in mind that the decision whether or not to remain in farming or become a farmer is largely conditioned by the prospect of a decent income.

At the moment, more farmers are engaged in the sector than would be the case under normal circumstances. However, the uncertainty or in many cases the very impossibility of finding alternative employment (i.e. where the only alternative is unemployment) is neither financially nor psychologically attractive. Consequently, the authorities should realize that the agricultural problem is, to a certain extent, an 'established' problem and that the only solution is via integration with other policy areas. This would also provide a partial solution to the problem of part-time farmers, many of whom are in search of additional income.

This report has attempted to examine a number of factors influencing agricultural incomes and set out a number of proposals for ensuring greater equality for farms irrespective of their location in the Community, their size and their produce.

REFERENCES

- 1 'Differential rates of inflation and the Common Agricultural Policy', Commission of the European Communities, COM(82) 98 final, 11 March 1982
- 2 'De regeling van de bedrijfsbeeindiging in het kader van de structuurpolitiek in de niet-verruimde EEG', L. KRAEWINKELS, July 1973
- 3 '1984: agricultural incomes in the European Community', Commission of the European Communities, Green Europe, Newsflash No. 29, March 1985
- 4 'The Agricultural Situation in the Community - 1984 Report', Commission of the European Communities, 1985
- 5 'Trends in agricultural income indicators 1973-1984', Eurostat, 20 February 1985
- 6 'Income disparities in agriculture in the Community', Commission of the European Communities, Green Europe, No. 208
- 7 'De sociale en economische voorwaarden van de technologische vooruitgang op de landbouwbedrijven in de Europese Gemeenschap', Final Report by Dr W. VAN DE PITTE, CEPFAR, Brussels, 22 May 1985
- 8 'FADN, accounting results 1978/79-1981/82', Commission of the European Communities, Luxembourg, 1984
- 9 'Perspectives for the Common Agricultural Policy', Communication of the Commission to the Council and the Parliament, COM(85) 333 final, Brussels, 15 July 1985
- 10 'Public expenditure on Agriculture - Community report', Commission of the European Communities, November 1984.

Thursday, 9 June 1983

RESOLUTION

on the level of agricultural incomes

The European Parliament,

- having regard to the motion for a resolution tabled by Mr Maher and others pursuant to Rule 47 of the Rules of Procedure on the level of agricultural incomes (Doc. 1-372/82),
 - having regard to the communication from the Commission of the European Communities to the Council of 17 March 1982 on differential rates of inflation and the common agricultural policy (COM(82) 98 final),
 - having regard to the interim report of the Committee on Agriculture (Doc. 1-1327/82)
- A. Whereas rates of inflation in a number of Member States of the Community have been at exceptional levels in the last three years, with a considerable increase in the disparity between national rates of inflation;
 - B. Having regard to the limited possibilities of putting an end to the disparity between inflation rates by means of agri-monetary adjustments;
 - C. Having regard to the need to reduce inflation in the European Community,
 - D. Whereas agricultural incomes have declined relatively, and even absolutely, in a number of Member States over recent years,
 - E. Whereas certain countries cannot have recourse to devaluation as a solution, in view of the negative impact on the economy as a whole;

1. General Conclusions

1. Notes the difficulties involved in analyzing the relationship between inflation and farm incomes, and is of the opinion that the approach chosen by the Commission covers only one aspect of the problem;
2. Urges the Commission to review its present conclusions on the impact of inflation on agricultural incomes, on the basis of a more profound and more differentiated study of this problem;
3. Believes that high rates of inflation have contributed to a very serious fall in the income of farmers in a number of Member States over several years and that the impact of inflation has been felt differently according to the sector and size of farm, and with a different effect on the incomes of self-employed workers and employees;
4. Points out that the Commission's conclusions were based on comparisons of approximate indices covering a long time-span, for all products, and in ECU, which effectively camouflages the critical impact of inflation on agricultural incomes year by year, sector by sector and region by region, and according to farm size;
5. Underlines that the Commission's conclusions depend on past compensation by green rate awards for increased production costs in countries with high rates of inflation; and notes that the declared aim of the Commission is the elimination of green rates; emphasizes, furthermore, that the room for manoeuvre to offset inflation by green rate adjustment is now very limited or virtually non-existent in a number of Member States;
6. Points out that green rate adjustments represent a very imperfect instrument for influencing agricultural incomes through price changes, since, for certain countries, the effect is often felt too late; the resulting compensation does not correspond with sufficient

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precision to losses in income; and such adjustments make no distinction between the different circumstances facing farmers in various sectors;

II. *Specific measures*

7. Believes that the Community should introduce specific measures to counter the growing disparity between farmers' incomes in the various Community countries; notably by supplementing price support, in certain cases, with aid for production costs, following the approach already adopted by the Council in its Decision of 17 May 1983 on the granting of loans in the livestock sector (conversion of short-term loans to long-term loans for the measures covered by Regulation (EEC) No 1984/81),

8. Considers that in the long-term the most appropriate means of achieving these goals would be through greater coordination of economic and monetary policy; but accepts that in the short-term it will not be possible to provide an adequate solution by such means to the pressing problems created for agricultural incomes by differential rates of inflation; believes, therefore, that it will be necessary to make provision for structural measures capable in the medium and long-term of reducing the vulnerability of agriculture where the negative impact of high rates of inflation is greater. It will also be necessary, therefore, to make provision in the context of other measures (such as the future integrated Mediterranean programmes) for investment aid to farms for land and crop improvement, the introduction of new technologies, the improvement of the marketing and processing of products and so on;

9. Believes that appropriate measures to reduce capital and running costs, directed towards helping those farmers facing serious problems, and based on a flat rate or ceiling, should include the following:

- (a) interest rate subsidies for agricultural loans for farm operations and for the acquisition of technical equipment;
- (b) more flexible guidelines for derogations to fiscal aids for the most severely affected regions;
- (c) a greater differentiation of EAGGF financing in the forthcoming revision of the Directives on structural policy;
- (d) an EAGGF financial contribution to the running and capital costs, particularly for storage, fodder, land improvement and transport;
- (e) a package of special aids to improve the incomes of smaller farmers;

10. Believes that such measures could contribute the first step towards a more broadly based and coherent approach to the problem of improving the income situation of the most seriously affected regions,

11. Points out that monetary compensatory amounts have had the paradoxical effect of encouraging exports of agricultural products from countries with stronger currencies and normally lower rates of inflation, while penalizing those from the weaker currencies associated with high rates of inflation; calls, therefore, for the abolition of MCAs in order to restore fair conditions of competition between the Member States within the Community;

12. Points out, however, that the wide disparities which still exist in the economic and monetary policies of the individual Member States have made the system of monetary compensation necessary and that the agricultural sector is unable to fully compensate and absorb these fundamental differences;

13. Is of the opinion that the Commission should take and intensify all suitable measures to attain a better balance of economic and monetary development in order to remove in this way one of the principal causes of the divergent trend in the incomes of farm producers;

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14. Requests the Commission and Council to give greater weight in decisions on agricultural prices to such differences in incomes, and the problems facing particular sectors and countries;

15. Considers that the prices of certain typical products of the disadvantaged areas (for example citrus fruit or durum wheat) should be increased by an amount exceeding the Community average, having regard to the fact that these products are in short supply and that their production cost is higher, partly because of the high level of inflation in these regions;

III. *Improvement in future assessments*

16. Welcomes the fact that the Commission is making, on an experimental basis, a number of improvements to the sectoral income index to take account of costs previously excluded and which have an important effect on agricultural incomes;

17. Regrets that the Commission has failed to use, in drawing up its document, the only harmonized instrument currently available, the Farm Accountancy Data Network;

18. Stresses the overriding importance of refining the FADN so as to improve its use as an instrument of income trend analysis; and believes it imperative that the FADN be used much more widely in policy formulation; for this purpose, urges certain Member States (Germany, France) to increase the number of their returning holdings in order to make the FADN representative according to region and type of production;

19. Believes it necessary at the same time to improve the definition of a macro-economic indicator which will allow an adequate assessment of the development of farm incomes;

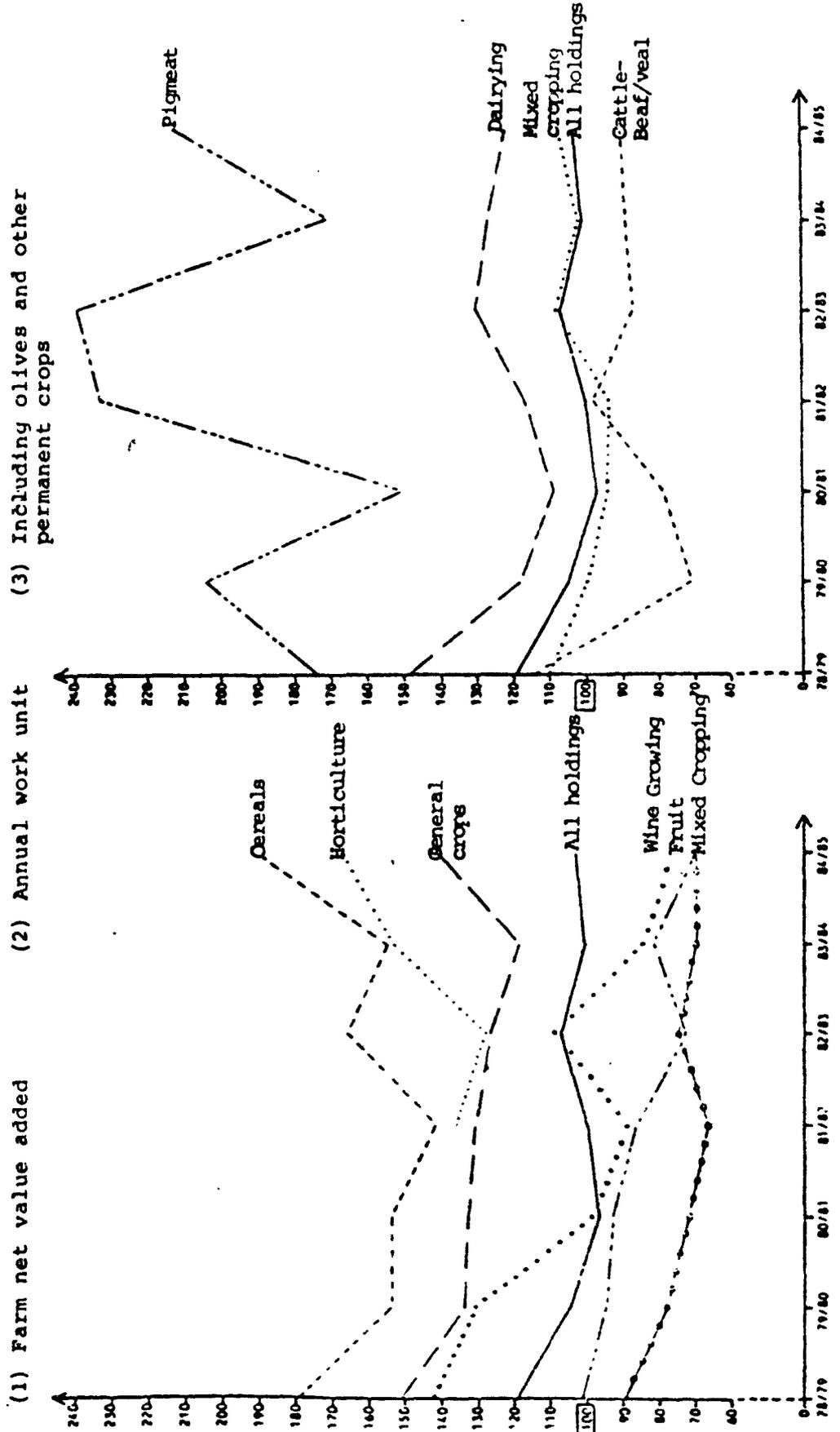
20. Calls on the Commission to submit a complete report on the correlations between the factors involved in this range of problems in the context of economic and monetary policy, shedding light, in particular, on the links between agricultural incomes, inflation rates and monetary parities with regard to the European unit of account, or ECU, and on the interrelationships and operations within the EMS; this report should contain conclusions as to the appropriate measures to be taken to avoid, or at least mitigate, unacceptable consequences for the Member States concerned.

21. Instructs its President to forward this resolution to the Commission, the Council and the national parliaments.

Chart 3 AGRICULTURAL INCOME (1) PER PERSON (2) FOR THE MAIN TYPES OF FARMING, 1978/79-1984/85 in real terms (Base 100 = EUR 9, 1981/82 average income for all holdings)

Source : -FADN results for 1978/79 - 1982-83 (weighted on the basis of the 1975 Structure Survey)
 -FADN estimates for 1983/84 - 1984/85

EUR 9



Source: '1984: agricultural incomes in the European Community', Green Europe, Newsflash No. 29, March 1985

MOTION FOR A RESOLUTION (DOCUMENT 2-1579/84)

tabled by Mr RAFTERY

pursuant to Rule 47 of the Rules of Procedure

on measures to maintain farmers income

The European Parliament,

- A. having regard to the objectives of the Common Agricultural Policy and in particular its dual aims of providing reasonable incomes for producers while ensuring that consumers are supplied with food at reasonable and stable prices,
 - B. whereas the Commissions farm price proposals for 1985/1986 are totally inadequate with respect to the maintenance of farmers incomes,
 - C. whereas the price mechanism alone cannot solve the problems of those farmers in disadvantaged areas or those who find themselves in financial difficulties,
 - D. whereas farm price increases would frustrate attempts to reduce costly surpluses in agriculture and to maintain budgetary discipline,
1. Calls on the Commission to investigate additional means for the restoration and maintenance of farmers income;
 2. Urges the Commission to increase aids to encourage farmers to diversify into products which are in deficit;
 3. Calls on the Commission to adopt incentives for the development of aquaculture, mariculture and farm house holidays;;
 4. Instructs its President to forward this resolution to the Commission and Council of Ministers.